

Dashboard / My courses / (22/04) MScFE 560 Financial Markets (C22-S2) / Module 7: Market Making and Trading  
/ Practice Quiz M7 (Ungraded)

**Started on** Sunday, 29 May 2022, 5:11 PM

**State** Finished

**Completed on** Sunday, 29 May 2022, 5:13 PM

**Time taken** 2 mins 12 secs

**Question 1**

Complete

Not graded

What type of entity are brokers classified as?

Select one:

- ☒ A sell-side entity, because they are an important source of consumer information.
- ☐ A buy-side entity, because they have their own dealing account.
- ☐ A buy-side entity, because they buy securities for their clients.
- ☐ A sell-side entity, because they assist with the buying of investments.

Your answer is incorrect.

**Question 2**

Complete

Not graded

What type of entity are insurance firms classified as?

Select one:

- ☐ A sell-side entity, because they sell insurance to participants in the financial markets.
- ☐ A sell-side entity, because they hold short positions in their investment portfolios.
- ☐ A buy-side entity, because they buy investment advice from financial services industry.
- ☒ A buy-side entity, because they invest their insurance premium revenue in the financial markets.

Your answer is correct.

## Question 3

Complete

Not graded

Why are brokers well-positioned to become dealers?

Select one:

- ☐ They can pass all dealing-related risk to their brokerage clients.
- ☐ They are not, the buy-side is better positioned to make investment profits
- ☒ They are well connected to other market participants.
- ☐ The regulation broker-dealers is less strict than the regulation on brokers.

Your answer is correct.

## Question 4

Complete

Not graded

Consider the following statements:

- **Statement A:** Analysts work on the buy side exclusively.
- **Statement B:** A fund manager with an active management philosophy will likely make more speculative trades.

Which of the statements given above is correct?

Select one:

- ☐ Both statement A and B
- ☐ Only statement A
- ☐ Neither statement A nor B
- ☒ Only statement B

Your answer is correct.

## Question 5

Complete

Not graded

Why is a fund manager classified as a buy-side entity?

Select one:

- ☒ They control investment capital.
- ☐ They broker investments.
- ☐ They are classified as a sell-side entity.
- ☐ They buy derivatives from short counterparties.

Your answer is correct.

◀ NOTES 4 M7

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**Started on** Sunday, 29 May 2022, 5:13 PM

**State** Finished

**Completed on** Sunday, 29 May 2022, 5:17 PM

**Time taken** 3 mins 19 secs

**Question 1**

Complete

Not graded

Consider the following statements:

- **Statement A:** A mutual fund is a collective investment vehicle.
- **Statement B:** Investment banks are sell-side players.

Which of the statements given above is correct?

Select one:

- ☐ Only statement A
- ☐ Neither statement A nor B
- ☐ Only statement B
- ☒ Both statement A and B

Your answer is correct.



## Question 2

Complete

Not graded

Consider the following statements:

- **Statement A:** A market maker faces market risk if they charge a large bid-ask spread.
- **Statement B:** Market makers can earn profits over and above the bid-ask spread profit, only if they're willing to take on market risk.

Which of the statements given above is correct?

Select one:

- ☒ Only statement B
- ☐ Both statement A and B
- ☐ Only statement A
- ☐ Neither statement A nor B

Your answer is correct.

## Question 3

Complete

Not graded

Consider the following statements:

- **Statement A:** Dealers buy securities, but they do not use a buy-and-hold strategy like the buy side.
- **Statement B:** When market makers are only being asked to buy and not to sell, the asset's market value seems to be decreasing.

Which of the statements given above is correct?

Select one:

- ☐ Both statement A and B
- ☐ Neither statement A nor B
- ☐ Only statement B
- ☒ Only statement A

Your answer is incorrect.



## Question 4

Complete

Not graded

Consider the following statements:

- **Statement A:** Asset managers care more about return on investment than they do about risk.
- **Statement B:** Traders work exclusively in the front office of an investment bank.

Which of the statements given above is correct?

Select one:

- ☐ Both statement A and B
- ☒ Neither statement A nor B
- ☐ Only statement A
- ☐ Only statement B

Your answer is correct.

## Question 5

Complete

Not graded

Consider the following statements:

- **Statement A:** Brokers are highly familiar with the electronic systems of their clients.
- **Statement B:** Asset managers provide specialized advice to brokers about how to execute trades.

Which of the statements given above is correct?

Select one:

- ☒ Both statement A and B
- ☐ Neither statement A nor B
- ☐ Only statement B
- ☐ Only statement A

Your answer is incorrect.

◀ NOTES 4 M7

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LIVE SESSION M7 ►



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**Started on** Sunday, 29 May 2022, 5:17 PM

**State** Finished

**Completed on** Sunday, 29 May 2022, 5:19 PM

**Time taken** 1 min 44 secs

**Question 1**

Complete

Not graded

The average value of a stock's price over a rolling 50 day period is

Select one:

- ☐ The 50 day moving and adjustment point
- ☐ The 50 day adjustment point
- ☒ The 50 day moving average
- ☐ The 50 day consensus term

Your answer is correct.

**Question 2**

Complete

Not graded

Consider the following statements:

- **Statement A:** Most investments decisions are made by professional asset managers.
- **Statement B:** Asset allocation refers to how asset managers allocate their teams' resources to research various investment areas.

Which of the statements given above is correct?

Select one:

- ☐ Only statement B
- ☐ Neither statement A nor B
- ☐ Both statement A and B
- ☒ Only statement A

Your answer is correct.



## Question 3

Complete

Not graded

Consider the following statements:

- **Statement A:** A market maker earns the bid-ask spread on every pair of opposing trades.
- **Statement B:** A small bid-ask spread means that the market can trade more freely and liquidly.

Which of the statements given above is correct?

Select one:

- ☒ Both statement A and B
- ☐ Only statement B
- ☐ Neither statement A nor B
- ☐ Only statement A

Your answer is correct.

## Question 4

Complete

Not graded

Consider the following statements:

- **Statement A:** Sell-side business takes place at a faster pace than buy-side business.
- **Statement B:** Passive management refers to a policy of minimizing brokerage costs.

Which of the statements given above is correct?

Select one:

- ☐ Neither statement A nor B
- ☐ Only statement A
- ☒ Only statement B
- ☐ Both statement A and B

Your answer is incorrect.





## Question 5

Complete

Not graded

Consider the following statements:

- **Statement A:** Analysts might work at a brokerage firm.
- **Statement B:** Retail traders work for small brokerage firms.

Which of the statements given above is correct?

Select one:

- ☐ Only statement B
- ☐ Only statement A
- ☒ Both statement A and B
- ☐ Neither statement A nor B

